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STATE OF MONTANA

OFFICES OF THE GOVERNOR AND LIEUTENANT GOVERNOR

REPORT ON AUDIT

Conducted Under Contract By
Mostad and Jackson, CPA's

Fiscal Year Ended June 30, 1976



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STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
406/449-3122

The Legislative Audit Committee
of the Montana State Legislature:

Transmitted herewith is the report on the audit of the Governor's
and Lieutenant Governor's Offices for the year ended June 30, 1976.

The audit was conducted by Mostad and Jackson, Certified Public
Accountants of Polson, under a contract between the firm and our office.
The comments and recommendations contained in this report represent the
views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is
included in the back of the audit report.

Respectfully submitted,

A handwritten signature in black ink that reads "Morris L. Brusett".

Morris L. Brusett, C.P.A.
Legislative Auditor

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SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full replies of the Offices of the Governor and Lieutenant Governor are included in the back of this report.

Page

A complete list of all equipment be prepared by location with an appropriate identifying tag system.

5

Agency Reply: Concur. See page 25.

Proper control over cash should be maintained to provide adequate measures for the state handling of all cash and checks. A review of current procedures should be undertaken to correct the present deficiencies and to provide a set of checks and balances.

5

Agency Reply: Concur. See page 25.

Transfer warrant claims be pre-numbered.

5

Agency Reply: Concur. See page 26.

A review of policies concerning purchase orders, receiving reports and people authorized to approve expenditures be undertaken to correct noted deficiencies.

5

Agency Reply: Concur. See page 26.

A clear separation of duties for personnel be established to provide the necessary set of checks and balances in disbursements.

6

Agency Reply: Concur. See page 26.

One more employee be hired in the accounting office to help facilitate the above recommendations.

6

Agency Reply: Concur. See page 26.

SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
Adequate separation of duties be established for payroll procedures.	6
<u>Agency Reply:</u> Concur. See page 26.	
The W-4's be updated on a regular basis.	6
<u>Agency Reply:</u> Concur. See page 26.	
Terminating employees be interviewed and at that time a complete analysis of the employee's payroll be undertaken.	6
<u>Agency Reply:</u> Concur. See page 27.	
Control be established over unclaimed salary warrants as they are presently kept in an unlocked desk.	6
<u>Agency Reply:</u> Concur. See page 27.	
Procedures be established to ensure that time sheets are received timely.	6
<u>Agency Reply:</u> Concur. See page 27.	
A review of present travel procedures be undertaken to rectify the problems noted and to provide better control over travel expenditures.	7
<u>Agency Reply:</u> Concur. See page 27.	
A system of checks and balances be implemented in employee leave to control abuse and clerical errors.	7
<u>Agency Reply:</u> Partially concur. We reviewed sick leave records and found no abuse of sick leave. See page 27.	
The \$15,000 from fiscal year 1975-76 be returned to the general fund and procedures be set up to transfer all funds received in the future from these services to the general fund.	7
<u>Agency Reply:</u> This has been implemented effective June 30, 1976. See page 28.	
A review of present staff be undertaken to determine if additional staff is needed.	7
<u>Agency Reply:</u> Concur. See page 28.	

SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
A study of the present building be undertaken to determine building space needs.	8
<u>Agency Reply:</u> Concur. See page 28.	

Additional files be purchased, further that these files be locking files to provide adequate safe guarding of the materials stored in them.

8

Agency Reply: Concur. See page 28.

MOSTAD & JACKSON
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**The Legislative Audit Committee
of the Montana State Legislature:**

We have examined the balance sheet of the Governor and Lieutenant Governor's Office and related statements of operations and of changes in fund balance as set forth in the table of contents for the year ended June 30, 1976. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Governor and Lieutenant Governor's Office does not maintain formal accounting records for fixed assets. For that reason equipment is not included in the accompanying balance sheet.

Except for the above described omission, in our opinion, the aforementioned financial statements which we examined present fairly the financial position of Governor and Lieutenant Governor's Office at June 30, 1976 and the results of its operation and changes in fund balance for the year in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Mostad & Jackson

GOVERNOR AND LIEUTENANT GOVERNOR'S OFFICE
AUDITORS' COMMENTS

Introduction

The primary purpose of our examination of the financial statements of the various funds of the Governor and Lieutenant Governor's office for the period ended June 30, 1976 was to enable us to form an opinion as to the financial position of the various funds of the Governor and Lieutenant Governor's office and the results of operations of such funds for the period then ended. As a part of our examination, we reviewed and tested the office's system of internal accounting control to the extent considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of the evaluation is to establish a basis for reliance thereon in determining the nature, timing and extent of auditing procedures that are necessary for expressing an opinion on the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the Governor and Lieutenant Governor's office system of internal accounting control for the year ended June 30, 1976 would not necessarily disclose all weaknesses in the system.

GeneralExecutive Office and the Governor

The office of the Governor is provided for in Article VII, Sections 1 - 19 of the Montana Constitution. Duties of the Governor include acting as commander-in-chief of Montana's armed forces, appointing all officers of state government as designated by the constitution, granting pardons, and convening the legislature. In addition, the Governor approves or vetos bills passed by the legislature, is responsible for submission of the executive budget to the legislature, and heads all departments and agencies within the state of Montana.

Mansion Maintenance

The Governor's mansion is authorized in Title 82 - 1306, R.C.M. 1974, as the "Executive residence in the city of Helena for the use of the Governor of the state". Existing law does not specify what may be spent to operate the mansion. The legislature appropriates funds based on budget requests to provide for the ordinary maintenance of the mansion. Capital construction and improvements are handled through the construction and maintenance division of the Department of Administration.

Federal - State Coordinator

In June, 1967, Governor Tim Babcock, established the Federal - State Coordinator's office to create a "partnership" between the local, state, and federal levels of government, and to act as a liaison between these units and the Governor. Specific authority for the office is found only in the various appropriation acts.

Office of Budget and Program Planning

In 1974, the legislature implemented a "program planning and budgeting" system in representative agencies of state government, such as Human Services Delivery, Licensing and Regulation, and any other programs the director of the office designates.

The office of Budget and Program Planning is responsible for preparing a biennial budget, which must include a departmental analysis summarizing past and proposed spending plans by program and indicating a means of financing the proposed plan. The biennial budget must also include detailed recommendations for the State Long Range Building Program.

Governor's Employment and Training Council (Manpower Training)

Federal regulations of the Concentrated Employment and Training Program provide that these federal funds received by the state must be administered by the office of the Governor. Authority for the program's existence is federal, and is authorized by the state of Montana only in the appropriation acts or through approved budget addition.

Lieutenant Governor

The office of Lieutenant Governor is provided for in Article VII, Section 14 - 19 of the 1972 Montana Constitution.

The Lieutenant Governor is to perform the duties provided by law and those delegated to him by the Governor. Upon the Governor's death, disability, or removal from office, the Lieutenant Governor assumes the duties of the Governor.

Citizen Advocate Office

In 1974, Governor Judge designated two members of his executive office staff to serve in the capacity of Citizen Advocate. A supplemental budget request was submitted to the second session of the 43rd legislature to fund the office as a separate program.

The office maintains a 24-hour toll free telephone service to receive government related complaints, problems and inquiries from Montana citizens.

Mental Health Advisory Council

The Mental Health Advisory Council was created March 14, 1974 by House Joint Resolution No. 66. Its purpose was "to conduct a thorough study of the current and probable future problems, needs and opportunities the government of the state of Montana will experience in the field of mental health and present its findings, conclusions and recommendations to the legislature". Council members are appointed by the Governor.

Mental Disabilities Board of Visitors

The Mental Disabilities Board of Visitors was established by the Montana 1975 Legislature and referred in title 38 - 1330, R.C.M. 1947.

The Mental Disabilities Board of Visitors is set up as a board of inquiry and review to assure decent and humane treatment of all mental facility residents. The board is to approve and review all research that involves patients to ensure that such research is "humane" and not "unduly hazardous". Also the board is designed to assist any patient in resolving grievances concerned with his/her commitment to or treatment while in the facility.

The following comments and recommendations pertain to fiscal and compliance weaknesses encountered in our audit:

Property Plant and Equipment

Management memo 70 - 17 indicated that each state agency is responsible for the management of all state property within its jurisdiction, fixed assets that cost \$100 or more, have an expected life of more than one year, and do not substantially change their identity through use should be recorded. All changes in fixed assets between inventory dates should be recorded. We found that a complete inventory list was not available at the present time.

RECOMMENDATION

We recommend that a complete list of all equipment be prepared by location with an appropriate identifying tag system.

Cash

In our examination of procedures for handling and disbursing cash the following deficiencies were noted:

- (1) Poor separation of duties.
- (2) Checks not properly voided.
- (3) No adequate control over unused checks.
- (4) No prohibition against checks made out to cash.
- (5) No review of endorsements on cancelled checks.

RECOMMENDATION

We recommend that proper control over cash should be maintained to provide adequate measures for the state handling of all cash and checks. A review of current procedures should be undertaken to correct the present deficiencies and to provide a set of checks and balances.

Disbursements

In examining transfer warrant claims we found that claim Nos. 76 - 02210 through 76 - 02307 were missing. Upon questioning the head accountant, we found that the claims are hand numbered by the Budget Office and that due to a clerical error by a new employee the missing numbers were skipped.

Also noted in our examination were deficiencies concerning purchase orders, receiving reports and authorization for expenditures. At present there is no established list of people authorized to approve expenditures, and no procedure exists to ensure the receipt of goods prior to payment of an invoice.

The review of disbursements brought to our attention some deficiencies concerning the recording of the disbursements in the various accounts in SBAS. One mistake noted was that the travel expense of Carol Judge had been charged to mansion maintenance. This expense was properly apportioned but was charged to the wrong program.

RECOMMENDATION

We recommend that:

- (1) Transfer warrant claims be pre-numbered.
- (2) A review of policies concerning purchase orders, receiving reports and people authorized to approve expenditures be undertaken to correct noted deficiencies.

- (3) A clear separation of duties for personnel be established to provide the necessary set of checks and balances in disbursements.
- (4) One more employee be hired in the accounting office to help facilitate the above recommendations.

Payroll

Our examination of the payroll files revealed various compliance deficiencies. Seven files did not contain a properly executed "Designation of Person Authorized to Receive Decendent's Warrants" state form. Six files did not have a properly executed W-4 form.

Most of the Governor's and Lieutenant Governor's office employees have exempt positions not subject to the Department of Administration Position Classification. For all employees however, there is no documentation regarding promotions in rank and salary in the individual payroll file.

All files of employees who terminated during the period July 1, 1974 through June 30, 1976 were examined to verify that employees were removed from the payroll on the date of termination and that amounts due at that date of termination were in fact paid. If an employee transferred to another state agency, his sick leave and vacation leave are to be transferred to that agency along with him. If he is terminating and not transferring to another agency, he is paid for 100% of his accumulated vacation leave and 25% of his accumulated sick leave. In three cases of the 53 terminated employees there was not adequate documentation to determine if the employee transferred or terminated completely.

On one terminated employee there was no time sheet for the last payroll period worked. There were three employees who terminated and who were overpaid as the result of incorrect accumulated sick and vacation leave balances. The three overpayments totaled \$303.33.

There were two employees that had travel advances outstanding at June 30, 1976, but who had terminated during fiscal year 1975 - 1976. These advances total \$194.00. This amount has not been returned to the office.

RECOMMENDATION

We recommend that:

- (1) Adequate separation of duties be established for payroll procedures.
- (2) The W-4's be updated on a regular basis.
- (3) Terminating employees be interviewed and at that time a complete analysis of the employee's payroll be undertaken.
- (4) Control be established over unclaimed salary warrants as they are presently kept in an unlocked desk.
- (5) Procedures be established to ensure that time sheets are received timely.

Travel

In our review of travel procedures and disbursements various deficiencies came to our attention. Present policies concerning travel are not adequate to properly control travel expenditures for state purposes. No travel advances were supported by signed requests. Also, excessive travel advances were made. The time required to return the advances appeared to be excessive in some cases.

RECOMMENDATION

We recommend that:

- (1) A review of present travel procedures be undertaken to rectify the problems noted and to provide better control over travel expenditures.

Employee Leave

Our examination of records for employee leave brought to our attention various deficiencies. It appeared based on our tests that excessive amounts of sick leave were taken very close to the date of termination. While state law provides for payment of 100% of accumulated annual leave and 25% of accumulated sick leave upon termination this point should require some review.

There were no written approvals for leave in many files.

RECOMMENDATION

We recommend that:

- (1) A system of checks and balances be implemented in employee leave to control abuse and clerical errors.

Revenues

The office of Budget and Program Planning received \$15,000 from other programs in the fiscal year 1975 - 1976, for accounting services. These funds should have been returned to the general fund as other revenue must be expended before general fund revenue, and the excess returned to the general fund. The office expects to receive about \$9,000 in the fiscal year 1976 - 1977 from the same source.

RECOMMENDATION

We recommend that the \$15,000 from fiscal year 1975 - 1976 be returned to the general fund and procedures be set up to transfer all funds received in the future from these services to the general fund.

Staff and Space

Most of the deficiencies revealed by our audit were clerical in nature. Our personal observation indicated that additional staff is needed to provide for compliance with recommended procedures.

At present the building used by the Budget Office just barely meets the needs of the staff. Also, additional files are needed to meet the growing volume of paperwork.

RECOMMENDATION

We recommend that:

- (1) A review of present staff be undertaken to determine if additional staff is needed.

- (2) A study of the present building be undertaken to determine building space needs.
- (3) Additional files be purchased, further that these files be locking files to provide adequate safe guarding of the materials stored in them.

FINANCIAL STATEMENTS

GOVERNOR'S OFFICE
ALL FUNDS
Balance Sheet
June 30, 1976

General Fund	Governor's Office FPRA	Program Planning FPRA	Manpower Planning FPGCA	Drug Coordinator FPRA	Manpower Planning FPRA	Commission on Local Government Research
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ASSETS

Revolving Fund Cash	\$ 400.	0	0	0	0	0
Cash in Treasury	0	64,771.	16,815.	472,247.	2,627.	5,445.
Accounts Receivable	1,335.	0	0	0	0	0
Expense Advances to Employees	1,862.	118.	0	0	0	23.
Other Advances	36.	0	0	0	0	121.
Available to Pay					761.	0
Accural Expenditures	63,257.	0	0	0	0	0
TOTAL ASSETS	\$ 66,890.	64,889.	16,815.	472,247.	2,627.	6,206.
						1,240.

LIABILITIES RESERVES AND FUND BALANCE

Reserve For:

Accrued Support Expenditures	\$ 63,257.	5,507.	0	0	0	5,708.	2,864.
Revolving fund Cash	400.	0	0	0	0	0	0
Accounts Receivable	1,335.	0	0	0	0	0	0
Expense Advances	1,862.	0	0	0	0	0	0
Other Advances	36.	0	0	0	0	0	0
Accrued Withdrawals	0	1,203.	0	0	0	0	0
Interentity Loans Payable	0	0	0	0	0	0	0
Fund Balances June 30, 1976	58,179.	16,815.	472,247.	2,627.	498.	9,705.*	(11,229.)
TOTAL LIABILITIES RESERVES AND FUND BALANCES	\$ 66,890.	64,889.	16,815.	472,247.	2,627.	6,206.	1,340.

* See page 17 Notes Payable

The accompanying notes are an integral part of these financial statements
(Continued)

GOVERNOR'S OFFICE

ALL FUNDS

Balance Sheet
June 30, 1976

Commission on local Government	Lieutenant Governor's General Fund	Lieutenant Governor's FPPRA	Lieutenant Governor's FPPCA	Federal and State Coordinator	Four C Council FPPRA
ASSETS					
Revolving Fund Cash	\$ 0	0	0	0	0
Cash in Treasury	0	0	0	0	0
Accounts Receivable	0	0	0	0	0
Expense Advances to Employees	134.	0	0	0	0
Other Advances	0	0	0	0	0
Available to Pay					
Accrued Expenditures	0	0	0	0	0
TOTAL ASSETS	\$ 134.	0	0	0	0
LIABILITIES RESERVES AND FUND BALANCE					
Reserve For:					
Accrued Support				0	0
Expenditures	\$ 0	0	0	0	0
Revolving Fund Cash	0	0	0	0	0
Accounts Receivable	0	0	0	0	0
Expense Advances	0	0	0	0	0
Other Advances	0	0	0	0	0
Accrued Withdrawals	0	0	0	0	0
Interentity Loans Payable	0	0	0	0	0
Fund Balances June 30, 1976	134.	0	0	0	0
TOTAL LIABILITIES RESERVES AND FUND BALANCES	\$ 134.	0	0	0	0

The accompanying notes are an integral part of these financial statements
(Continued)

**GOVERNOR'S OFFICE
ALL FUNDS**
Statement of Revenues Compared to Expenditures
For the Year Ended June 30, 1976

<u>Executive Office</u>	<u>Total</u> <u>Appropriations</u>	<u>Total</u> <u>Expenditures</u>	<u>Under</u> <u>(Over)</u> <u>Budget</u>
Salaries	\$ 316,024	291,958	24,066
Employee Benefits	31,346	22,043	9,303
Contracted Services	230,762	137,223	93,539
Supplies & Materials	6,016	4,978	1,038
Communications	18,468	17,128	1,340
Travel	32,150	34,919	(2,769)
Rent	13,850	14,414	(564)
Other Expenses	48,832	49,061	(229)
Repairs & Maintenance	500	898	(398)
Equipment	<u>6,700</u>	<u>4,390</u>	<u>2,310</u>
Total	\$ 704,648	577,012	127,636
<u>Mansion Maintenance</u>			
Salaries	\$ 17,895	17,012	883
Hourly Wages	4,550	3,855	695
Employee Benefits	2,400	2,260	140
Contracted Services	2,000	1,932	68
Supplies & Materials	10,420	11,177	(757)
Communications	2,300	1,920	380
Travel	-0-	387	(387)
Utilities	1,600	1,392	208
Repairs & Maintenance	790	618	172
Other Expenses	150	80	70
Equipment	<u>670</u>	<u>102</u>	<u>568</u>
Total	\$ 42,775	40,735	2,040
<u>Federal & State Coordinator</u>			
Salaries	\$ 54,692	55,976	(1,284)
Hourly Wages	1,488	280	1,208
Employee Benefits	6,086	4,727	1,359
Contracted Services	3,200	3,728	(528)
Communications	3,500	2,463	1,037
Travel	15,500	13,963	1,537
Rent	335	303	32
Utilities	50	31	19
Repairs & Maintenance	200	28	172
Other Expenses	1,000	711	289
Equipment	500	386	114
Supplies & Materials	<u>849</u>	<u>613</u>	<u>236</u>
Total	\$ 87,400	83,209	4,191

The accompanying notes are an integral
part of these financial statements
(Continued)

**GOVERNOR'S OFFICE
ALL FUNDS**
Statement of Revenues Compared to Expenditures
For the Year Ended June 30, 1976

Office of Budget Program Planning	Total Appropriations	Total Expenditures	Under (Over) Budget
Salaries	\$ 531,515	514,905	16,610
Employee Benefits	63,483	50,621	12,862
Contracted Services	48,312	46,552	1,760
Supplies & Materials	6,076	5,878	198
Communications	12,409	11,316	1,093
Travel	28,255	18,070	10,185
Rent	6,880	5,597	1,283
Repairs & Maintenance	2,305	3,653	(1,348)
Other Expenses	4,750	3,041	1,709
Equipment	10,280	8,238	2,042
Total	\$ 714,265	667,871	46,394

Manpower Advisory Council

Salaries	\$ 153,427	70,531	82,896
Other Compensation	4,160	-0-	4,160
Employee Benefits	20,712	8,271	12,441
Contracted Services	148,923	93,588	55,335
Supplies & Materials	2,760	1,043	1,717
Communications	8,640	2,875	5,765
Travel	18,000	5,125	12,875
Rent	11,000	4,261	6,739
Utilities	1,440	317	1,123
Repairs & Maintenance	500	-0-	500
Other Expenses	1,400	891	509
Equipment	1,800	209	1,591
CETA Disbursements	<u>27,812,131</u>	<u>17,104,262</u>	<u>10,707,869</u>
Total	\$28,184,893	17,291,373	10,893,520

Lieutenant Governor

Salaries	\$ 71,871	70,856	1,015
Employee Benefits	9,343	9,472	(129)
Contracted Services	5,000	17,828	(12,828)
Supplies & Materials	4,000	1,572	2,428
Communication	5,675	2,077	3,598
Travel	28,850	5,486	23,364
Rent	-0-	15	(15)
Repairs & Maintenance	500	35	465
Other Expense	3,000	529	2,471
Equipment	1,015	-0-	1,015
CETA Disbursements	<u>71,229</u>	<u>33,987</u>	<u>37,242</u>
Total	\$ 200,483	141,857	58,626

The accompanying notes are an integral part of these financial statements

(Continued)

GOVERNOR'S OFFICE
ALL FUNDS
Statement of Revenues Compared to Expenditures
For the Year Ended June 30, 1976

	Total Appropriations	Total Expenditures	Under (Over) Budget
<u>Citizens Advocate Office</u>			
Salaries	\$ 28,504	26,500	2,004
Hourly Wages	800	-0-	800
Employee Benefits	2,673	1,905	768
Contracted Services	500	44	456
Supplies & Materials	750	196	554
Communications	18,300	18,840	(540)
Travel	1,000	65	935
Rent	-0-	70	(70)
Equipment	<u>-0-</u>	<u>124</u>	<u>(124)</u>
Total	\$ 52,527	47,744	4,783
<u>Governor's Mental Health Advisory Council</u>			
Salaries	\$ 6,963	6,424	539
Hourly Wages	-0-	-0-	-0-
Employee Benefits	865	743	122
Contracted Services	4,550	4,453	97
Supplies & Materials	100	87	13
Communications	370	762	(392)
Travel	7,102	6,383	719
Other Expenses	25	58	(33)
Equipment	<u>25</u>	<u>25</u>	<u>-0-</u>
Total	\$ 20,000	18,935	1,065
<u>Commission on Local Government</u>			
Salaries	\$ 309,426	291,170	18,256
Employee Benefits	41,569	34,376	7,193
Contracted Services	38,660	35,280	3,380
Supplies & Materials	7,260	7,374	(114)
Communications	12,963	12,003	960
Travel	26,955	23,674	3,281
In-State Motor Pool	-0-	34	(34)
Rent	20,753	21,465	(712)
Repairs & Maintenance	630	422	208
Other Expenses	2,200	3,094	(894)
Equipment	<u>1,219</u>	<u>888</u>	<u>331</u>
Total	\$ 461,635	429,780	31,855

The accompanying notes are an integral
part of these financial statements
(Continued)

**GOVERNOR'S OFFICE
ALL FUNDS**
Statement of Revenues Compared to Expenditures
For the Year Ended June 30, 1976

<u>Mental Disabilities Visitors Board</u>	Total Appropriations	Total Expenditures	Under (Over) Budget
Salaries	\$ 11,455	692	10,763
Other Compensation	4,188	-0-	4,188
Employee Benefits	1,490	47	1,443
Contracted Services	2,047	4,946	(2,899)
Supplies & Materials	-0-	104	(104)
Communications	853	-0-	853
Travel	9,892	3,174	6,718
Rent	-0-	132	(132)
Other Expenses	75	-0-	75
Equipment	-0-	678	(678)
Total	\$ 30,000	9,773	20,227

Governor's Manpower Planning

Salaries	\$ 164,366	78,002	86,364
Hourly Wages	1,180	877	303
Other Compensation	3,154	720	2,434
Employee Benefits	18,650	8,420	10,230
Contracted Services	49,384	33,422	15,962
Supplies & Materials	2,918	1,705	1,213
Communications	5,304	4,224	1,080
Travel	17,788	8,212	9,576
Rent	14,242	6,020	8,222
Utilities	2,006	612	1,394
Repairs & Maintenance	366	52	314
Other Expenses	2,589	192	2,397
Equipment	2,615	1,947	668
Ceta Disbursements	<u>3,841,094</u>	<u>144,728</u>	<u>3,696,366</u>
Total	<u>4,125,656</u>	<u>289,133</u>	<u>3,836,523</u>
Total All Programs	<u>\$34,624,282</u>	<u>19,597,422</u>	<u>15,026,860</u>

The accompanying notes are an integral
part of these financial statements

GOVERNOR'S OFFICE
ALL FUNDS
Statement of Expenditures by Funds & Programs
For the Year Ended June 30, 1976

	GENERAL FUNDS	FEDERAL FUNDS	CETA FUNDS	PRIVATE FUNDS
<u>EXECUTIVE OFFICE</u>				
Salaries	\$ 233,603	58,355		
Employee Benefits	18,054	3,989		
Contracted Services	20,705	116,518		
Supplies & Materials	4,065	913		
Communications	13,877	3,251		
Travel	23,985	10,934		
Rent	13,884	530		
Other Expenses	48,920	141		
Repairs & Maintenance	898			
Equipment	<u>2,258</u>	<u>2,132</u>		
TOTAL	<u>\$ 380,249</u>	<u>196,763</u>		
<u>MANSION MAINTENANCE</u>				
Salaries	\$ 17,012			
Hourly Wages	3,855			
Employee Benefits	2,260			
Contracted Services	1,932			
Supplies & Materials	11,177			
Communications	1,920			
Travel	387			
Utilities	1,392			
Repair & Maintenance	618			
Other Expenses	80			
Equipment	<u>102</u>			
TOTAL	<u>\$ 40,735</u>			

The accompanying notes are an integral
part of these financial statements
(continued)

GOVERNOR'S OFFICE
ALL FUNDS
Statement of Expenditures by Funds & Programs
For the Year Ended June 30, 1976

	GENERAL FUNDS	FEDERAL FUNDS	CETA FUNDS	PRIVATE FUNDS
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FEDERAL & STATE COORDINATOR

Salaries	\$ 55,976			
Hourly Wages	280			
Employee Benefits	4,727			
Contracted Services	3,728			
Supplies & Materials	613			
Communications	2,463			
Travel	13,963			
Rent	303			
Utilities	31			
Repair & Maintenance	28			
Other Expenses	711			
Equipment	386			
TOTAL	\$ 83,209			

OFFICE OF BUDGET & PROGRAM PLANNING

Salaries	\$ 411,301	103,604		
Employee Benefits	42,002	8,619		
Contracted Services	40,503	6,049		
Supplies & Materials	4,691	1,187		
Communications	8,790	2,526		
Travel	15,843	2,227		
Rent	1,339	4,258		
Repair & Maintenance	3,583	70		
Other Expenses	2,143	898		
Equipment	7,382	856		
TOTAL	\$ 537,577	130,294		

The accompanying notes are an integral part of these financial statements
(continued)

GOVERNOR'S OFFICE
ALL FUNDS
Statement of Expenditures by Funds & Programs
For the Year Ended June 30, 1976

GENERAL FUNDS	FEDERAL FUNDS	CETA FUNDS	PRIVATE FUNDS
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MANPOWER ADVISORY COUNCIL

Salaries	\$ 70,531		
Other Compensation	-0-		
Employee Benefits	8,271		
Contracted Services	93,588		
Supplies & Materials	1,043		
Communications	2,875		
Travel	5,125		
Rent	4,261		
Utilities	317		
Repair & Maintenance	-0-		
Other Expenses	891		
Equipment	209		
CETA Disbursements	_____	_____	17,104,262
TOTAL	\$ 187,111	17,104,262	_____

LIEUTENANT GOVERNOR

Salaries	\$ 70,856		
Employee Benefits	9,472		
Contracted Services	5,586		12,242
Supplies & Materials	1,572		
Communications	2,077		
Travel	5,486		
Rent	15		
Repair & Maintenance	35		
Other Expenses	529		
Equipment	-0-		
CETA Disbursements	_____	_____	33,987
TOTAL	\$ 95,628	46,229	_____

The accompanying notes are an integral
part of these financial statements
(continued)

GOVERNOR'S OFFICE
ALL FUNDS
Statement of Expenditures by Funds & Programs
For the Year Ended June 30, 1976

GENERAL FUNDS	FEDERAL FUNDS	CETA FUNDS	PRIVATE FUNDS
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CITIZENS ADVOCATE OFFICE

Salaries	\$ 26,500			
Hourly Wages	-0-			
Employee Benefits	1,905			
Contracted Services	44			
Supplies & Materials	196			
Communications	14,928	3,912		
Travel	65			
Rent	70			
Equipment	124			
 TOTAL	 \$ 43,832	 3,912		

GOVERNOR'S MENTAL HEALTH ADVISORY
COUNCIL

Salaries	\$ 6,424			
Hourly Wages	-0-			
Employee Benefits	743			
Contracted Services	4,453			
Supplies & Materials	87			
Communications	762			
Travel	6,383			
Other Expenses	58			
Equipment	25			
 TOTAL	 \$ 18,935			

The accompanying notes are an integral
part of these financial statements
(continued)

GOVERNOR'S OFFICE
ALL FUNDS
Statement of Expenditures by Funds & Programs
For the Year Ended June 30, 1976

	GENERAL FUNDS	FEDERAL FUNDS	CETA FUNDS	PRIVATE FUNDS
<u>COMMISSION ON LOCAL GOVERNMENT</u>				
Salaries	\$ 139,902	140,380		10,888
Employee Benefits	15,823	17,390		1,163
Contracted Services	31,449	3,614		217
Supplies & Materials	7,220	79		75
Communications	11,661	62		280
Travel	18,338	4,615		721
In State Motor Pool	34			
Rent	20,798	136		531
Repair & Maintenance	422			
Other Expenses	2,909	105		80
Equipment	<u>888</u>			
 TOTAL	 <u>\$ 249,444</u>	 <u>166,381</u>		 <u>13,955</u>
<u>MENTAL DISABILITIES VISITORS BOARD</u>				
Salaries	\$ 692			
Other Compensation	-0-			
Employee Benefits	47			
Contracted Services	4,946			
Supplies & Materials	104			
Communications	-0-			
Travel	3,174			
Rent	132			
Other Expenses	-0-			
Equipment	<u>678</u>			
 TOTAL	 <u>\$ 9,773</u>			

The accompanying notes are an integral
part of these financial statements
(continued)

GOVERNOR'S OFFICE
ALL FUNDS
Statement of Expenditures by Funds & Programs
For the Year Ended June 30, 1976

	GENERAL FUNDS	FEDERAL FUNDS	CETA FUNDS	PRIVATE FUNDS
<u>GOVERNOR'S MANPOWER PLANNING</u>				
Salaries	\$ 78,002			
Hourly Wages	877			
Other Compensation	720			
Employee Benefits	8,420			
Contracted Services	33,422			
Supplies & Materials	1,705			
Communications	4,224			
Travel	8,212			
Rent	6,020			
Utilities	612			
Repair & Maintenance	52			
Other Expenses	192			
Equipment	1,947			
CETA Disbursements	_____	_____	144,728	_____
TOTAL	_____	144,405	144,728	_____
TOTAL ALL PROGRAMS & ALL FUNDS	\$ 1,459,382	828,866	17,295,219	13,955

The accompanying notes are an integral part of these financial statements

GOVERNOR'S OFFICE

ALL FUNDS

Statement of Changes in Fund Balances

June 30, 1976

General Fund	Governor's Office FPRAs	Program Planning FPRAs	Manpower Planning FPCAs	Drug Coordinator FPRAs	Manpower Planning FPRAs	Commission on Local Government Research
Fund Balance July 1, 1976	\$ 0	57,180.	2,193.	3,000.	(25,277.)	10,446. (8,424.)

Receipts & Additions

Appropriations	1,561,197.	0	0	0	0	0
Revenues	376,219.	16,923.	17,302.	885.	320,903.	165,504.
Prior Year Expenditure	0	1,506.	0	415,352.	0	665.
Prior Year Revenue Adjustments	0	0	0	0	30,750.	0
	<u>\$1,561,197.</u>	<u>434,905.</u>	<u>19,116.</u>	<u>17,721,237.</u>	<u>5,473.</u>	<u>332,014.</u> 170,048.

Deductions

Expenditures	\$1,459,381.	329,418.	1,551.	17,248,990.	0	331,516.	180,336.
Reversions	101,816.	0	0	0	0	0	0
Prior Year Income Adjustments	0	47,308.	0	0	0	0	0
Prior Year Expenditure Adjustments	0	0	750.	0	2,846.	0	941.
Transferred to Social and Rehabilitation Services	0	0	0	0	0	0	0
	<u>1,561,197.</u>	<u>376,726.</u>	<u>2,301.</u>	<u>17,248,990.</u>	<u>2,846.</u>	<u>331,516.</u>	<u>181,277.</u>

Fund Balance June 30, 1976

\$ 0	58,179.	16,815.	472,247.	2,627.	498.	(11,229.)
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The accompanying notes are an integral part of these financial statements
(Continued)

GOVERNOR'S OFFICE
ALL FUNDS

Statement of Changes in Fund Balances
June 30, 1976

	Commission on Local Government	Lieutenant Governor's General Fund	Lieutenant Governor's FPQCA	Lieutenant Governor's FPR	Federal and State Coordinator	Four C Council FPR
Fund Balance July 1, 1976	\$ (12,121.)	(3,095.)	3,759.	14,462.	585.	4,633.
<u>Receipts & Additions</u>						
Appropriations	0	0	0	0	0	0
Revenues	0	0	46,229.	0	0	0
Prior Year						
Expenditure	250.	3,095.	0	0	0	0
Adjustments						
Prior Year						
Revenue						
Adjustments						
	12,005.	0	0	5,304.	0	0
	\$ 134.	0	49,988.	19,766.	585.	4,633.
<u>Deductions</u>						
Expenditures	\$ 0	0	46,229.	13,186.	585.	0
Reversions	0	0	0	0	0	0
Prior Year						
Income	0	0	0	0	0	0
Adjustments						
Prior Year						
Expenditure	0	0	3,759.	6,580.	0	0
Adjustments	0	0	0	0	0	4,633.
Transferred to Social and Rehabilitation Services	0	0	49,988.	19,766.	585.	4,633.
	\$ 134.	0	0	0	0	0

The accompanying notes are an integral part of these financial statements

GOVERNOR AND LIEUTENANT GOVERNOR'S OFFICE
NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 1976

Summary of Significant Accounting Policies

The accounting policies of the Governor and Lieutenant Governor's office conform to generally accepted accounting principles as applicable to Governmental units. The following is a summary of the significant policies:

Basis of Accounting

The modified accrual basis of accounting, under which expenditures are recorded when the liability is incurred and revenues are recorded when received in cash unless susceptible to accrual, i.e., measurable and available to finance the school's operations, or of a material amount and not received at the normal time of receipt, is followed for all funds.

Inventories

The supplies used by the various programs are expensed as incurred and consequently there is no formal inventory of supplies.

General Fixed Assets and Depreciation

General fixed assets purchased are recorded as expenditures in the various funds at the time of purchase. Such assets are not capitalized at cost in a general fixed assets group of accounts and depreciation is not provided on general fixed assets.

Vacation and Sick Pay

Liabilities incurred because of unused vacation and sick pay by employees are not recorded. The expenditure is recorded when paid. Permanent employees are allowed to accumulate and carryover a maximum of two years vacation into each calendar year. Permanent employees also accumulate sick leave that is unused, with no limit on the accumulation. Upon termination, qualifying permanent employees having unused accumulated vacation and sick leave are redeemed in cash. They are paid 100% of all vacation and 25% of all sick leave.

Encumbrances

Encumbrance accounting, under which all commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in all funds. The balances in the reserve for encumbrances account of each fund is included in the accrued support expenditure accounts of each fund.

Appropriations

Appropriations in the general fund and Federal revenue sharing (FPRA) are made by the legislature for operating purposes. Expenditures against these appropriations are funded by the corresponding funds at the state level. Unexpended or unencumbered balances in these appropriations revert to the respective state funds at year end.

Accounts not on Statewide Budgeting and Accounting System

The agency maintains one imprest cash fund in the amount of \$400. The flow of cash through this account is not reflected in SBAS, but the balance is reflected in the general fund.

Loans Payable

The Loan payable in the amount of \$9,705 (Commission of Local Government Research) was borrowed from the State General Fund. The original Grant from the Department of Community Affairs through HUD was \$97,050 of which 10% or \$9,705 is being withheld pending completion of an audit. Upon completion of the audit the General Fund will be reimbursed.

AGENCY REPLY

State of Montana
Office of The Governor
Helena 59601

THOMAS L. JUDGE
GOVERNOR

Legislative Auditor

September 17, 1976

Mr. Morris Brusett, Legislative Auditor
Office of the Legislative Auditor
Room 135, State Capitol Building
Helena, Montana 59601

Dear Mr. Brusett:

The following is our reply to the audit report of Mostad and Jackson, Certified Public Accountants, for the fiscal year ending June 30, 1976.

PROPERTY, PLANT, AND EQUIPMENT

Auditor's Recommendation: *We recommend that a complete list of all equipment be prepared by location with an appropriate identifying tag system.*

Response: In March, 1976, the Governor's Office began preparation of a physical inventory. At the time of the Legislative Audit, lists of equipment in most locations had already been completed. Work is continuing on this project as time and manpower permit, and should be completed by the end of October.

The Statewide Budgeting and Accounting System, during FY 1976, had no provisions for formal accounting records of fixed assets. The Department of Administration is developing a uniform system for fixed asset accounting, and this office will utilize the system when it is complete.

CASH

Auditor's Recommendation: *We recommend that proper control over cash should be maintained to provide adequate measures for the safe handling of all cash and checks. A review of current procedures should be undertaken to correct the present deficiencies and to provide a set of checks and balances.*

Response: We wish to respond to the individual deficiencies noted:

1. *Poor separation of duties.* We plan to hire additional staff which will allow adequate separation of duties.
2. *Checks not properly voided.* Only two checks were voided during the year. We do concur with the recommendation, and will establish a written procedure to ascertain that checks are properly voided in the future.

3. *No adequate control over unused checks.* We concur with the finding and will establish better controls.
4. *No prohibition against checks made out to cash.* No checks were made out to cash during the year, but we will establish a formal procedure to prohibit this.
5. *No review of endorsement on cancelled checks.* We concur with this, and hereafter will review endorsements.

DISBURSEMENTS

Auditor's Recommendation: *Transfer-warrant claims be pre-numbered.*

Response: We concur and will comply with the recommendation.

Auditor's Recommendation: *A review of policies concerning purchase orders, receiving reports, and people authorized to approve expenditures be undertaken to correct deficiencies.*

Response: It is our opinion that we do follow state regulations concerning purchase orders; the Statewide Budgeting and Accounting System has regulations which effectively prohibit payment of invoices which are in violation of the purchasing procedure. We do concur that a receiving procedure should be instituted and we will comply with this recommendation.

It is currently the policy of this office that all invoices be initially approved by someone in the program incurring the expense. Such people are known to our staff, but we will prepare a formal list with samples of signatures.

Auditor's Recommendation: *A clear separation of duties for personnel be established to provide the necessary set of checks and balances in disbursements.*

One more employee be hired in the accounting office to help facilitate the above recommendations.

Response: One additional staff person will be hired as recommended; this action should provide the recommended separation of duties noted here and elsewhere in the audit report.

PAYROLL

Auditor's Recommendation: *Adequate separation of duties be established for payroll procedures.*

Response: One additional staff person will be hired as recommended to provide for better separation of duties.

Auditor's Recommendation: *The W-4's be updated on a regular basis.*

Response: We concur with this recommendation and will comply. In reference to the finding that our payroll files were not in compliance because several did not have a "Designation of Person Authorized to Receive Decedent's Warrant" form, Chapter 1-0325.00 of the Montana Administrative Manual specifically states that "each state employee *may* designate a person to receive the employee's pay, benefits, and/or travel allowances due at the time of the employee's decease in connection with his/her state employment (italics ours)". Although we are not specifically required to use the form, we agree it is a good practice and will give all employees an opportunity to make designations.

Auditor's Recommendation: *Terminating employees be interviewed and at that time a complete analysis of the employee's payroll be undertaken.*

Response: We concur and will comply.

Auditor's Recommendation: *Control be established over unclaimed salary warrants as they are presently kept in an unlocked desk.*

Response: We concur and will comply with the recommendation.

Auditor's Recommendation: *Procedures be established to ensure that time sheets are received timely.*

Response: We concur and will comply with the recommendation.

TRAVEL

Auditor's Recommendation: *A review of present travel procedures be undertaken to rectify the problems noted and to provide better control over travel expenditures.*

Response: All travel claims submitted by employees state the reason for the travel, documentation of expenses, applicable receipts, the certification of the employee and the certification of his supervisor that the travel was for state purposes. The amounts claimed are reviewed by the Office of Budget and Program Planning and again by the Department of Administration, Accounting Division. Our staff believes that this procedure is usually adequate to insure the claims themselves are proper.

We do concur that the travel advance policy has been less than adequate, and the Office of Budget and Program Planning has implemented use of a travel advance request form as of September 15, 1976. Statements of amounts owing the state will be sent monthly to all employees with outstanding travel advances; this should alleviate the problem of late repayment of outstanding advances.

EMPLOYEE LEAVE

Auditor's Recommendation: *A system of checks and balances be implemented in employee leave to control abuse and clerical errors.*

Response: The Office of Budget and Program Planning is now enforcing use of the standard state Request for a Leave of Absence form.

Sick leave is a statutory employee benefit. We have reviewed employee sick leave records and found no abuse of sick leave and no patterns of unwarranted use of sick leave by our employees.

REVENUES

Auditor's Recommendation: *We recommend that the \$15,000 from fiscal year 1975-76 be returned to the general fund and procedures be set up to transfer all funds received in the future from these services to the general fund.*

Response: The \$15,000 received for accounting services in FY 75-76 has already been reverted to the General Fund, effective June 30, 1976.

We will receive additional monies in Fiscal Year 1977; these funds will be used to hire additional staff recommended throughout the audit report.

STAFF AND SPACE

Auditor's Recommendation: *A review of present staff be undertaken to determine if additional staff is needed.*

Response: We concur with the recommendation; the review has taken place and one additional accounting technician will be hired.

Auditor's Recommendation: *A study of the present building be undertaken to determine building space needs.*

Response: We concur with the recommendation and will comply.

Auditor's Recommendation: *Additional files be purchased, further that these files be locking files to provide adequate safeguarding of the materials stored in them.*

Response: We concur with the recommendation and will comply.

GENERAL COMMENTS

1. The report states, on page 6, that, "Most of the Governor's and Lieutenant Governor's Office employees have exempt classifications not subject to the Department of Administration Position Classification."

It is true that the employees in the Governor's Executive Office are exempt, as are the personal staff of the Lieutenant Governor. These employees, however, comprise only about 20% of the total number of employees in the Governor's Office. The majority of employees in the office have been classified, and are subject to the rules promulgated in the Department of Administration Classification and Pay Plan.

2. The financial section of the audit report contains, on Pages 11-14, a report entitled "Statement of Revenues Compared to Expenditures." We believe this report could be misleading. Amounts listed in the "total appropriations" column are broken down by expenditure category. Appropriations, however, are made to programs, but not on a line-item basis. Thus, the amounts listed in the various line item categories as "appropriated" amounts are only allocations made by the agency for management purposes, and are not actually appropriated amounts.

Sincerely,



Keith L. Colbo
Executive Assistant

/mjm

